

Program A: Administrative

Program Authorization: R.S. 39:1528-1543

PROGRAM DESCRIPTION

The mission of the Administrative Program in the Office of Risk Management (ORM) is to develop, direct, and administer a cost-effective and comprehensive risk management program for all state agencies, boards and commissions of the State of Louisiana and any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana. The Program Authorization for the Administrative Program is R.S. 39:1527 - 1544.

The goals of the Administrative Program in the Office of Risk Management are:

1. Improve accountability.
2. Improve efficiency of standard procedures.
3. Minimize losses and achieve financial stability.
4. Identify exposure and losses, actual and potential methods of outcome-based management which focus on the results of reducing the exposure and managing.
5. Maintain sound principles of insurance and management by providing training to entry level adjusters and examiners to instruct them in basic principles and techniques of claims adjusting.

The Administrative Program includes the following activities: Administration, Accounting, Audit/Statistics, Underwriting, and Loss Prevention.

The Administration Unit is charged with directing the primary focus of the agency, the self-insurance program of the state.

The Accounting Unit directs all fiscal operations of the agency, which include cash receipts and disbursements, accounts receivable and payable, payroll, budget, financial statement preparation, special fiscal studies or requests, reports for actuarial analysis, contract preparation and approval, distribution of claims payments, and quality control on the computerized claims management system.

The Audit/Statistics Unit is responsible for all functions required to develop and analyze statistical data for use in premium determination and engineering of risks to reduce losses. It obtains information from accounting, claims and underwriting and develops statistical data to provide information to management for decision making. In addition, it is responsible for claims writing functions, premium development and records management.

The Underwriting Unit is responsible for commercial insurance purchases through a competitive bid process and for billings for all coverages to all state agencies. The unit's goal is to obtain the most effective coverage that is cost-beneficial to the state. All insurance coverages are mandatory, which means that coverage is required by either the ORM, legislative auditors, legislative statutes or agency rules and policies.

The Loss Prevention Unit assists all state agencies in the prevention and reduction of employee job-related accidents, injuries, and loss of state property, thereby reducing the direct and indirect costs to the state. The unit analyzes loss experience data for each risk, identifies various causes of losses, and isolates critical causes and locations. It communicates analyses to safety coordinators of various agencies; develops and coordinates a comprehensive loss prevention program for the state, which includes loss control management, facility inspection, accident investigation, rules and regulations and communications; and trains all state agency safety personnel incidental to facility inspections and accident investigations.

The Claims Unit is responsible for all adjusting functions of including investigation, management, and payment of claims.

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1. (KEY) To provide all state agencies with insurance coverage at a price that is less than the equivalent commercial coverage cost.

Explanatory Note: The Office of Risk Management (ORM) develops premiums that would cover costs. However, this figure is largely controlled by factors outside control of the ORM. Ideally, according to the ORM, there should be a balance between the percentage of savings, percentage of claims costs covered, and percentage of increase/decrease in liabilities. Savings above 30%, percentage of costs covered above 100%, and increase in liabilities below 0% would reflect acceptable performance within the budgetary restraints within which the ORM must operate.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-99	ACTUAL YEAREND PERFORMANCE FY 1998-99	ACT 60 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Cost of ORM premiums (in \$ millions)	\$252.6	\$148.0	\$127.9	\$127.9	\$276.0	\$149.9 ²
K	Cost of equivalent commercial premiums (in \$ millions)	\$384.3	\$405.5	\$450.8	\$450.8	\$450.8	\$406.3 ²
S	Savings of ORM premiums over commercial premium equivalents	Not applicable ¹	\$257.5	Not applicable ¹	\$322.9	\$174.8	\$256.4 ²

¹ This is a new performance indicator. It did not appear under Act 44 of 1998 or Act 60 of 1999 and has no performance standards for FY 1998-99 or FY 1999-00.

² Budget restraints caused these standards to change from FY 1999-00 standards and FY 2000-01 continuation level.

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES					
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1984-85	PRIOR YEAR ACTUAL FY 1985-86	PRIOR YEAR ACTUAL FY 1986-87	PRIOR YEAR ACTUAL FY 1987-88	PRIOR YEAR ACTUAL FY 1988-89
Commercial equivalent premiums	\$24,938,013	\$64,986,716	\$98,081,336	\$107,107,821	\$293,061,182
ORM billed premiums	\$7,425,711	\$24,299,538	\$30,136,398	\$43,042,821	\$183,798,804
Savings over commercial equivalent	\$17,512,302	\$40,687,178	\$67,944,938	\$64,065,000	\$109,262,378

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES					
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1989-90	PRIOR YEAR ACTUAL FY 1990-91	PRIOR YEAR ACTUAL FY 1991-92	PRIOR YEAR ACTUAL FY 1992-93	PRIOR YEAR ACTUAL FY 1993-94
Commercial equivalent premiums	\$323,663,252	\$349,925,842	\$454,562,254	\$452,111,809	\$331,642,323
ORM billed premiums	\$213,286,054	\$193,469,719	\$275,144,904	\$273,756,462	\$68,945,376
Savings over commercial equivalent	\$110,377,198	\$156,456,123	\$179,417,350	\$178,355,347	\$262,696,947

GENERAL PERFORMANCE INFORMATION: SAVINGS OVER COMMERCIAL EQUIVALENT COVERAGES					
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Commercial equivalent premiums	\$345,716,954	\$317,604,974	\$337,404,877	\$377,024,562	\$405,449,570
ORM billed premiums	\$89,437,880	\$193,089,694	\$222,433,921	\$169,303,389	\$148,000,784
Savings over commercial equivalent	\$256,279,074	\$124,515,280	\$114,970,956	\$207,721,173	\$257,448,786

TOTALS

(16 Year Period) (83-84 Through 98-99)

Commercial equivalent premiums	\$4,306,538,385
ORM billed premiums	\$2,146,520,467
Savings over commercial equivalent	\$2,160,017,918

Notes:

ORM has not been funded on an actuarially sound basis since FY 1990-91.

In FY 1991-92 and FY 1992-93, even though ORM billed premiums, no premiums were appropriated for agencies to pay premiums, therefore ORM collected nothing from agencies other than ancillaries.

In FY 1993-94, ORM was budgeted \$255,010,870 for premiums, however only \$68,945,376 was appropriated to the agencies to pay premiums, therefore that is all that ORM was allowed to bill.

In FY 1993-94, ORM was budgeted \$212,191,192 for premiums, however only \$89,437,860 was appropriated to the agencies to pay premiums, therefore that is all that ORM was allowed to bill.

GENERAL PERFORMANCE INFORMATION: OFFICE OF RISK MANAGEMENT LOSS PREVENTION AUDITS	
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1998-99
Number of agencies audited	715
Percentage of agencies passing audit	52%
Percentage of agencies satisfied with ORM's loss prevention services	99%

GENERAL PERFORMANCE INFORMATION: CLAIMS		
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1998-99	ACTUAL 1ST QUARTER FY 1999-00
Number of claims pending at period beginning	12,111	13,276
Number of claims opened	13,644	3,381
Number of claims closed	12,479	3,754
Number of pending claims at period end	13,276	12,903
Number of claims inception to date	207,638	211,019

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 60 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	6,878,001	7,681,699	7,681,699	7,381,760	7,402,310	(279,389)
Statutory Dedications	0	0	0	0	0	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	\$6,878,001	\$7,681,699	\$7,681,699	\$7,381,760	\$7,402,310	(279,389)
EXPENDITURES & REQUEST:						
Salaries	\$4,107,660	\$4,818,398	\$4,693,150	\$4,721,977	\$4,627,537	(\$65,613)
Other Compensation	87,902	60,000	60,000	60,000	60,000	0
Related Benefits	781,033	746,082	871,330	892,159	924,552	53,222
Total Operating Expenses	1,623,292	1,189,831	1,500,679	1,371,559	1,408,611	(92,068)
Professional Services	68,148	270,248	77,500	79,050	77,500	0
Total Other Charges	87,026	290,600	172,500	177,415	181,170	8,670
Total Acq. & Major Repairs	122,940	306,540	306,540	79,600	122,940	(183,600)
TOTAL EXPENDITURES AND REQUEST	\$6,878,001	\$7,681,699	\$7,681,699	\$7,381,760	\$7,402,310	(279,389)
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	135	135	135	135	135	0
Unclassified	0	0	0	0	0	0
TOTAL	135	135	135	135	135	0

SOURCE OF FUNDING

This program is funded with Fees and Self-generated Revenues. Fees and Self-generated Revenues are derived from premiums billed for insurance provided by this Office and from interest earnings from the self-insurance fund. State and quasi-state entities obtain insurance through the Office of Risk Management.

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$7,681,699	135	ACT 60 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$0	0	None
\$0	\$7,681,699	135	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$29,793	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$19,863	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	(\$7,447)	0	Risk Management Adjustment
\$0	\$119,340	0	Acquisitions & Major Repairs
\$0	(\$306,540)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$2,409	0	Legislative Auditor Fees
\$0	(\$18,365)	0	Rent in State-Owned Buildings
\$0	(\$74)	0	Maintenance of State-Owned Buildings
\$0	(\$60)	0	UPS Fees
\$0	(\$94,440)	0	Attrition Adjustment
\$0	\$3,755	0	Civil Service Fees
\$0	\$3,600	0	ISIS HR Network
\$0	\$2,401	0	Indirect Cost for Administrative Expenses
\$0	(\$131,449)	0	Services from the Office of Information Services
\$0	\$97,825	0	Maintenance Adjustment for Minor Repairs
\$0	\$7,402,310	135	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$7,402,310	135	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$7,402,310	135	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 96.4% of the existing operating budget. It represents 94.8% of the total request (\$7,806,008) for this program. Adjustments in this program include: Annualization of FY 1999 - 2000 Classified State Employees Merit Increases \$29,793; Classified State Employees Merit Increases for FY 2000 - 2001 \$19,863; Attrition Adjustment -\$94,440; Risk Management Adjustment -\$7,447; replacement office equipment including 2 vehicles \$122,940; reduced services from the Office of Information Services -\$131,449; and a maintenance adjustment for minor repairs \$97,825.

PROFESSIONAL SERVICES

\$50,000	Reserve analysis and statistical forecasting, etc.
\$2,500	Training sessions for Underwriting/Auditing Units, Insurance, and Classifying Rating, etc.
\$25,000	State Police inspections - contract for accident reconstruction and investigative services involving fatalities
\$77,500	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$14,551	Treasurers' Office - Pro-rata share of the State's Central Depository Banking cost
\$19,183	Pro-rata share of the cost of operations of the Department of Civil Service
\$4,241	Pro-rata share of the cost of operations of the Uniform Payroll System
\$9,316	Services from the Department of Public Safety
\$40,978	Legislative Auditor expense
\$9,249	Division of Administration - Buildings and Grounds
\$18,365	Division of Administration - Maintenance
\$65,287	Division of Administration - Executive Management
\$181,170	SUB-TOTAL OTHER CHARGES

Interagency Transfers:

This program does not have funding for Interagency Transfers for Fiscal Year 2000-2001.

\$181,170	TOTAL OTHER CHARGES
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ACQUISITIONS AND MAJOR REPAIRS

\$122,940 Replacement office equipment, including 2 vehicles

\$122,940 TOTAL ACQUISITIONS AND MAJOR REPAIRS